



Nestlé

Good food, Good life

Nestlé Finance International Ltd.

Half-Yearly Financial Report

Interim Management Report
and
Condensed Interim Financial Statements
January–June 2024 – Unaudited

Nestlé.
**We unlock the power of food
to enhance quality of life for everyone,
today and for generations to come.**

Registered Address:
5, Place de la Gare
L-1616, Luxembourg
Grand Duchy of Luxembourg
RCS No B136737
Subscribed capital: EUR 440 000

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Management Report

Nestlé Finance International Ltd. (“NFI” or the “Company”) presents its half-yearly financial report for the six-month period ended 30 June 2024. NFI is a public limited company (société anonyme) organised under the laws of Luxembourg and is a wholly-owned subsidiary of Nestlé S.A. which is the holding company of the Nestlé Group of companies (the “Nestlé Group” or the “Group”). NFI is established for an unlimited duration. The Nestlé Group manufactures and sells food and beverages, as well as products related to the nutrition, health and wellness industries. The Nestlé Group product portfolio has seven product categories, distributed throughout the world: powdered and liquid beverages, water, milk, ice cream and nutrition products, prepared dishes and cooking aids, confectionery and petcare. The Nestlé Group also manufactures and distributes nutritional science products through its globally managed business Nestlé Health Science.

The principal activity of NFI is the financing of Nestlé S.A. and its affiliates as well as the acquisition by purchase, subscription or in any other manner, of stock, bonds, debentures, notes, debt instruments or other securities or any kind of instrument and contracts thereon or relative thereto. NFI may further assist the members of the Nestlé Group, in particular by granting them loans, facilities or guarantees in any form and for any term whatsoever and provide any of them with advice and assistance in any form whatsoever.

(A) Important events that have occurred during the six-month period January–June 2024, and their impact on the financial statements

As at 30 June 2024, a total equivalent of EUR 24 714 million of loans and advances granted to Nestlé Group companies was outstanding, compared to EUR 19 072 million as at 31 December 2023. These were financed mainly through the issuance of bonds, commercial paper and loans and advances received from Nestlé Group companies. Other assets and liabilities comprise mainly derivatives, cash and cash equivalents (consists of cash balances and deposits at banks). The aforementioned transactions are further detailed in the notes to the unaudited financial statements of NFI for the six-month period ended 30 June 2024.

Total assets were EUR 24 878 million and EUR 19 443 million as at June 2024 and December 2023, respectively. The increase results mainly from an increase in loans and advances granted to Nestlé Group companies (by EUR 5 642 million).

Total liabilities were EUR 24 818 and EUR 19 401 million as at June 2024 and December 2023, respectively. Debt

securities outstanding as at June 2024 (EUR 24 679 million) increased by EUR 5 679 million as compared to 31 December 2023 (EUR 18 999 million) as a result of the issuance of new bonds. Loans and advances received from Nestlé Group companies outstanding at 30 June 2024 decreased by EUR 263 million as compared to 31 December 2023.

The operations reported a net profit of EUR 19 million for the six-month period January–June 2024, compared to a net loss of EUR 48 million for the six-month period January–June 2023.

Net profit before tax for the six-month period January–June 2024 was EUR 24 million compared to a net loss of EUR 63 million for the six-month period January–June 2023. Third party interest expenses increased by EUR 44 million resulting from an increase in debt securities issued with higher interest rates. These costs were fully offset by the increase in interest income from Nestlé S.A. and its affiliates by EUR 127 million. The net interest income was EUR 29 million as at June 2024 (net expense of EUR 54 million as at December 2023). Net fee and commission expense from Nestlé Group companies decreased by EUR 13 million arising from the termination of foreign exchange transfer agreement between NFI and Nestlé S.A. To limit the impact of foreign exchange currencies variations and the risk of counterparties, NFI transferred major part of the loans granted to Nestlé Group entities to a unique Nestlé Group entity in 2022. The remaining part of the loans have been transferred in early 2023. As a reciprocal arrangement, NFI grants loans denominated in Euro to this unique entity (note 9).

NFI’s net operating cash outflow was EUR 5 884 million for the six-month period January–June 2024 compared to net operating cash outflow of EUR 2 370 million for the six-month period January–June 2023.

The rapid and significant growth in interest rates had a negative impact on 2023 result. Future financial performance will depend largely on the net interest margin earned on loans and investments, funded by issuance of bonds, commercial papers, loans and advances received from Nestlé Group companies and results from derivative transactions. Considering recent evolutions in the intra-group financing set up as well as the increased volatility of the financial markets, management has decided to refine the key principles of the transfer pricing policy and made updates to various components and underlying assumptions.

Management will continue to closely monitor market developments and take appropriate measures to mitigate

risks associated with interest rate fluctuations. Management is confident that NFI is well-positioned to address these challenges and regain a positive financial situation in the future.

(B) Principal risks and uncertainties for the remaining six-month period July–December 2024

NFI is exposed to certain risks and uncertainties: credit risk, market risk, liquidity risk and risk of an increase in cost of capital, treasury operations and other risks that could have a material adverse impact on its financial condition and operating results. The detailed discussion of these risks and uncertainties and NFI's objectives, policies and processes for managing these risks and uncertainties are disclosed in the notes to the audited financial statements of NFI for the year ended 31 December 2023, in particular note 11. NFI is engaged in hedging activities to limit its exposure to risk.

(C) Other items

NFI has no research and development costs nor any treasury shares or branches.

(D) Corporate governance status

The overall control environment, risk assessment, control and monitoring activities have been disclosed in the audited financial statements of NFI for the year ended 31 December 2023.

Balance sheet as at 30 June 2024

In thousands of Euro	Notes	30 June 2024	31 December 2023
Assets			
Current assets			
Cash and cash equivalents		70 427	335 461
Derivative assets	3	67 796	4 077
Loans to Nestlé Group companies	7	8 261 635	2 448 422
Other assets		1 346	1 378
Total current assets		8 401 203	2 789 338
Non-current assets			
Loans to Nestlé Group companies	7	16 452 689	16 623 668
Deferred tax assets		24 007	29 845
Total non-current assets		16 476 696	16 653 513
Total assets		24 877 900	19 442 851
Liabilities			
Current liabilities			
Derivative liabilities	3	2 211	18 518
Loans from Nestlé Group companies	7	18	262 690
Current financial debt	6	6 626 187	2 451 080
Other liabilities		137 000	120 236
Total current liabilities		6 765 416	2 852 524
Non-current liabilities			
Non-current financial debt	6	18 052 475	16 548 628
Total non-current liabilities		18 052 475	16 548 628
Total liabilities		24 817 891	19 401 152
Equity			
Share capital	4	440	440
Share premium and other premiums	4	102 000	102 000
Hedging reserve	4	(289)	281
Legal reserve	4	44	44
Other reserve	4	4 955	4 955
Accumulated losses		(47 141)	(66 021)
Total equity attributable to shareholders of the company		60 009	41 699
Total liabilities and equity		24 877 900	19 442 851

Income statement

for the six-month period ended 30 June 2024

In thousands of Euro	Notes	30 June 2024	30 June 2023
Interest income		242 416	115 401
Interest expense		(213 011)	(169 362)
Net interest income / (loss)	2	29 405	(53 961)
Net fee and commission income / (expense) from Nestlé Group companies	2	(3 276)	(16 456)
Financial income / (expense)	2	(945)	(2 488)
Other operating income / (expense)	2	(217)	10 744
Operating profit / (loss)		24 967	(62 162)
Administration expense		(795)	(934)
Profit / (loss) before tax		24 173	(63 095)
Taxes	2	(5 292)	15 368
Profit / (loss) for the period attributable to shareholders of the company		18 880	(47 727)

Other comprehensive income for the six-month period ended 30 June 2024

In thousands of Euro	30 June 2024	30 June 2023
Profit / (loss) for the year recognised in the income statement	18 880	(47 727)
Adjustments on cost of hedge reserve		
Recognised in hedging reserve, net of taxes	(570)	(311)
Items that are or may be reclassified subsequently to the income statement	(570)	(311)
Other comprehensive income / (loss) for the period	(570)	(311)
Comprehensive income / (loss) for the period attributable to shareholders of the company	19 450	(47 416)

Statement of changes in equity for the six-month period ended 30 June 2024

In thousands of Euro

	Notes	Share capital	Share premium and other premiums	Hedging reserve	Available-for-sale reserve	Legal reserve	Other reserve	Accumulated losses	Total equity attributable to shareholders of the company
Equity as at 31 December 2022		440	102 000	(69)	—	44	4 955	(47 990)	59 380
Gains and losses									
Gain for the period		—	—	—	—	—	—	(47 727)	(47 727)
Adjustments on cost of hedge reserve		—	—	(311)	—	—	—	—	(311)
Total comprehensive income for the period		—	—	(311)	—	—	—	(47 727)	(48 038)
Equity as at 30 June 2023		440	102 000	(380)	—	44	4 955	(95 717)	11 342
Equity as at 31 December 2023		440	102 000	281	—	44	4 955	(66 021)	41 699
Gains and losses									
Gain for the period		—	—	—	—	—	—	18 880	18 880
Adjustments on cost of hedge reserve		—	—	(570)	—	—	—	—	(570)
Total comprehensive income for the period		—	—	(570)	—	—	—	18 880	18 310
Equity as at 30 June 2024		440	102 000	(289)	—	44	4 955	(47 141)	60 009

Cash flow statement

for the six-month period ended 30 June 2024

In thousands of Euro	Notes	30 June 2024	30 June 2023
Operating activities			
Profit / (loss) before tax		24 173	(63 095)
Adjustments for non-cash transactions :			
Foreign exchange gain / (loss) for loans, debt securities and derivatives	2	208	106 419
Fair value of debt securities	2	83	8 634
Interest income	2	(242 416)	(115 273)
Interest expense	2	213 011	170 122
Cash flow before changes in operating assets and liabilities		(4 940)	106 807
Change in other assets excluding prepaid and accrued income		31	(38)
Change in other liabilities excluding accrual and deferred income		(175)	(204 498)
Other movements		759	—
Cash flow generated from operations		(4 325)	(97 729)
Net loans and advances to Nestlé Group companies excluding intra group interest receivable	7	(5 634 753)	(3 146 892)
Net loans and advances from Nestlé Group companies excluding intra group interest payable	7	(262 672)	832 002
Interest received net of withholding tax		194 632	103 188
Interest paid		(177 107)	(61 368)
Income tax paid		(161)	(16)
Operating cash flow		(5 884 387)	(2 370 815)
Financing activities			
Change in derivative assets including those recognised directly in equity		—	(64 664)
Change in derivative liabilities		—	(77 133)
Bonds issued	6	1 485 000	1 687 106
Commercial papers issued	6	23 078 934	27 253 603
Bonds repaid	6	(500 000)	(500 000)
Commercial papers repaid	6	(18 448 777)	(25 912 910)
Financing cash flow		5 615 157	2 386 002
Effect of the exchange rate changes on cash		4 195	2 741
Net increase / (decrease) in cash and cash equivalents		(265 033)	17 928
Net cash and cash equivalents at beginning of the period		335 461	2 406
Net cash and cash equivalents at the end of the period		70 427	20 336
Net cash and cash equivalents as per balance sheet		70 427	20 336

1. Accounting policies

Basis of preparation

These financial statements are the unaudited Condensed Interim Financial Statements of NFI for the six-month period ended 30 June 2024. They have been prepared in accordance with IAS 34 – Condensed Interim Financial Reporting as adopted by the European Union as well as with the laws and regulations in force in the Grand Duchy of Luxembourg and should be read in conjunction with the audited financial statements of NFI for the year ended 31 December 2023.

The accounting conventions and accounting policies are the same as those applied in the audited financial statements of NFI for the year ended 31 December 2023, except for those mentioned below, in the sections 'Changes in accounting standards'.

The preparation of the unaudited Condensed Interim Financial Statements of NFI for the six-month period ended 30 June 2024 requires NFI's management to exercise judgment and to make estimates and assumptions that affect the application of policies, reported amounts of revenues, expenses, assets and liabilities and disclosures. The key sources

of estimation of uncertainty within the unaudited financial statements of NFI for the six-month period 30 June 2024 remain the same as those that applied to the audited financial statements of NFI for the year ended 31 December 2023.

NFI is included in the Consolidated Financial Statements of Nestlé S.A., Avenue Nestlé 55, 1800 Vevey, Switzerland.

Changes in accounting standards

Amendments to IFRS Accounting Standards which apply for the first time in 2024 include Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to IAS 1. This amendment, and other amendments effective for the first time in 2024, had no material impact on the Condensed Interim Financial Statements.

NFI has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

2. Operating income / (expense) and taxes

Net interest income

In thousands of Euro	30 June 2024	30 June 2023
Interest income from		
Cash and cash equivalents, short term investments	14 530	1 648
Loans and advances to Nestlé Group companies	227 886	114 513
Interest income	242 416	116 161
Interest expense from		
Loans and advances from Nestlé Group companies	(5 015)	(2 228)
Debt securities issued	(207 996)	(167 894)
Interest expense	(213 011)	(170 122)
Net interest income / (expense)	29 405	(53 961)

Other operating expense

In thousands of Euro	30 June 2024	30 June 2023
Net foreign exchange gain / (expense)	(208)	14 221
Net gain / (expense) in fair value through income statement	(83)	(552)
Others	74	(2 925)
Other operating income / (expense)	(217)	10 744

Financial expense

In thousands of Euro	30 June 2024	30 June 2023
Expected credit loss on financial assets (increase) / decrease	(945)	(2 488)
Financial income / (expense)	(945)	(2 488)

Taxes

In thousands of Euro	30 June 2024	30 June 2023
Withholding tax on interest received	794	(488)
Deferred tax increase / (decrease)	(6 027)	15 857
Total tax income / (expense)	(5 292)	15 368

3. Fair value hierarchy

Financial assets and liabilities

Fair value hierarchy of financial instruments

In thousands of Euro	30 June 2024	30 June 2023
Derivative assets	67 796	65 568
Derivative liabilities	(2 211)	(6 027)
Valuation techniques based on observable market data (Level 2)	65 585	59 541
Total financial instruments at fair value	65 585	59 541

There have been no significant transfers between the different hierarchy levels during the six-month period ended 30 June 2024.

There were no financial instruments within category Level 1 (prices quoted in active markets) and Level 3 (valuation techniques based on unobservable input). All financial instruments are within Level 2 category.

The fair values categorized in Level 2 above were determined as follows: derivatives are valued based on discounted contractual cash flows using risk adjusted discount rates and relying on observable market data for interest rates and foreign exchange rates.

4. Share capital, other reserves and legal reserves

Share capital is set at EUR 440 thousand represented by 220 thousand shares with a nominal value of EUR 2 each and is authorised, issued and fully paid.

At the Annual General meeting of NFI held on 25 April 2023, NFI decided to carry forward the 2022 result.

At the Annual General meeting of NFI held on 24 April 2024, NFI decided to carry forward the 2023 result.

Under Luxembourg law, NFI is allowed to deduct part of the net wealth tax from the corporate income tax of the same year, provided that a reserve is created corresponding to five times the net wealth tax deducted and that this reserve is maintained for a period of five tax years following the year of deduction.

As at 30 June 2024, the net wealth tax reserve is EUR 4 955 thousand (31 December 2023: EUR 4 955 thousand) of which EUR 2 962 thousand (31 December 2023: EUR 2 962 thousand) is distributable to the shareholder.

Under Luxembourg law, NFI is required to appropriate annually at least 5% of its statutory net profit to a non-distributable legal reserve until the aggregate reserve reaches 10% of the subscribed capital. The reserve is fully constituted for EUR 44 thousand.

5. Dividends

Dividends payable are not accounted for until they have been ratified at the Annual General Meeting of NFI. At the Board of Directors Meeting of NFI held on 24 April 2024, the Board decided not to propose any dividend payment to the shareholder.

6. Debt securities

Bonds

As of 30 June 2024, the carrying amount of bonds issued is EUR 18 702 million (31 December 2023: EUR 17 698 million) compared to a fair value of EUR 17 212 million (31 December 2023: EUR 16 572 million).

During the six-month period January-June 2024, bonds were issued for a nominal value of EUR 1 500 million and EUR 500 million was repaid.

This fair value is categorized as Level 2, measured on the basis of quoted prices.

Commercial Paper

The outstanding amounts of commercial paper are EUR 5 976 million and EUR 1 301 million, respectively as at 30 June 2024 and 31 December 2023.

The carrying amount of these instruments is a reasonable approximation of their fair value based on observable market data.

7. Transactions with related parties

Grant, receipt and repayments of loans with Nestlé Group companies for the six-month period January-June 2024 were as follows:

In thousands of Euro	30 June 2024	30 June 2023
Loans granted to Nestlé Group companies excluding accrued interest :		
Granted to the shareholder of the company	9 621 100	2 620 388
Granted to Nestlé affiliates	1 000 687	1 969 305
Repayments of loans granted to Nestlé Group companies excluding accrued interest :		
Repaid by the shareholder of the company	(3 982 000)	—
Repaid by Nestlé affiliates	(1 005 037)	(1 442 801)
Net loans and advances granted to / (repaid) by Nestlé Group companies	5 634 750	3 146 892
Loans granted by Nestlé affiliates excluding accrued interest	—	832 002
Repayments of loans received from Nestlé affiliates excluding accrued interest	262 672	—
Net loans and advances received by / (repaid) to Nestlé Group companies	262 672	832 002

8. Events after the balance sheet date

As at August 22, 2024, there is no subsequent events which either warrant a modification of the value of its assets and liabilities or any additional disclosure.

Responsibility Statement

Raoul Heinen, Director, Patrick Yot, Director, Hermann Beythan, Director, Martin Huber, Director and Bruno Chazard, Director confirm that to the best of their knowledge:

- (a) the Condensed Interim Financial Statements (Unaudited) of NFI for the six-month period ended 30 June 2024, which have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union as well as with the laws and regulations in force in the Grand Duchy of Luxembourg, give a true and fair view of the assets, liabilities, financial position and profit or loss of NFI as required by DTR 4.2.4 R and under article 4 (3) of the Luxembourg law of 11 January 2008 on transparency requirements for issuers, as amended (the “Transparency Law”); and
- (b) the interim management report includes a fair review of the information required by DTR 4.2.7 R and under article 4 (4) of the Transparency Law.

22 August 2024